

Interstate Commerce Commission
Washington, D. C.

Gentlemen:

No. **9-325A080**

Date **NOV 21 1979**

Fee \$ **50.00**

ICC Washington, D. C.

RECORDATION NO. **11077**
Filed 1425
NOV 21 1979 - 11 40 AM
INTERSTATE COMMERCE COMMISSION

Enclosed for recordation under the provisions of 49 USC 11303(a), are the original and three counterparts of a Security Agreement dated as of October 1, 1979.

The general description of the railroad equipment covered by the enclosed document is set forth in Schedule A attached to this letter and made a part hereof.

The names and addresses of the parties are:

Debtor: TC-78, an Illinois Partnership
P. O. Box 218
Chicago Heights, Illinois 60411

Secured Party: American National Bank and Trust
Company of Chicago
33 North LaSalle Street
Chicago, Illinois 60690

The undersigned is the Debtor mentioned in the enclosed document and has knowledge of the matters set forth therein.

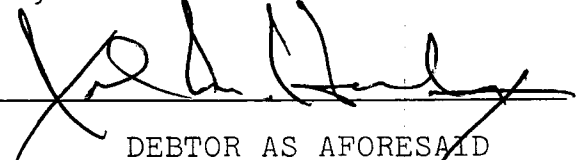
Please return the original and two counterparts of the Security Agreement to Gary Green, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$50.00 covering the required recording fee.

Very truly yours,

TC-78, AN ILLINOIS PARTNERSHIP

By


DEBTOR AS AFORESAID

Enclosures

NOV 21 11 33 AM '79
FEE OPEN 7:00 PM
I.C.C.
NOV 21 11 33 AM '79

Open for Gary Green

DESCRIPTION OF EQUIPMENT

25 100-Ton 61' 1-1/2" Bulkhead Flat Cars manufactured by Thrall
Car Manufacturing Company and bearing numbers ITC 1400 through
ITC 1424, both inclusive

Interstate Commerce Commission
Washington, D.C. 20423

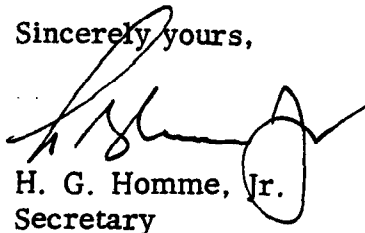
OFFICE OF THE SECRETARY

Sary Green, Esq.
Chapman and Cutler
111 West Monroe Street
Chicago, Illinois 60603

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 11/21/79 at 11:40AM, and assigned recordation number(s). 11677.

Sincerely yours,



H. G. Homme, Jr.
Secretary

Enclosure(s)

REGISTRATION NO. 11077
NOV 21 1979 - 11 40 AM
INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

Dated as of October 1, 1979

FROM

TC-78, AN ILLINOIS PARTNERSHIP

DEBTOR

TO

AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO

SECURED PARTY

(TC-78)

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ATTACHMENT TO SECURITY AGREEMENT:

APPENDIX 1 -- Description of Equipment

SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of October 1, 1979 (the "Security Agreement") from TC-78, AN ILLINOIS PARTNERSHIP (the "Debtor"), whose post office address is P. O. Box 218, Chicago Heights, Illinois 60411, to AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, a national banking association, whose post office address is 33 North LaSalle Street, Chicago, Illinois 60690 (the "Secured Party").

RECITALS:

A. The Debtor is the owner of the railroad flat cars described in Appendix 1 hereto (collectively, the "Equipment") and individually an "Item" or "Item of Equipment") manufactured by Thrall Car Manufacturing Company (the "Manufacturer"). The Equipment has been leased pursuant to the Lease Agreement dated as of May 23, 1978 (the "Lease") between the Debtor, as lessor, and Illinois Terminal Railroad Company, a Delaware corporation, as lessee (the "Lessee").

B. The Secured Party entered into a Loan Agreement dated as of October 1, 1979 (the "Loan Agreement"), providing for the commitment of the Secured Party to make a loan to the Debtor in an amount not to exceed \$732,450 on or before November 30, 1979, which loan is to be secured by the 11% Secured Note (the "Note") of the Debtor due 1979, such Note expressed to bear interest at the rate of 11% per annum prior to maturity and to mature in 59 substantially equal monthly installments, including principal and interest, commencing _____, with a final installment of all unpaid principal and accrued interest payable on _____, and to be otherwise substantially in the form attached as Exhibit A to the Note Agreement.

C. The Note and all principal thereof and interest thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Debtor under the terms of the Note, this Security Agreement or the Note Agreement are hereinafter sometimes referred to as "indebtedness hereby secured".

D. All of the requirements of law have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument for the security of the Note have been done and performed.

SECTION 1. GRANT OF SECURITY.

The Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the

principal of and interest on the Note according to its tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all covenants and conditions in the Note and in this Security Agreement and in the Loan Agreement contained, does hereby convey, warrant, mortgage, assign, pledge and grant the Secured Party, its successors in trust and assigns, a security interest in, all and singular of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 1.1 and 1.2 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

1.1. Equipment Collateral. Collateral includes the Equipment leased and delivered under the Lease, together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment hereinabove described, whether now owned or hereafter acquired, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Equipment, together with all the rents, issues, income, profits and avails therefrom.

1.2. Rental Collateral. Collateral also includes the Lease and all rents and other sums due and to become due thereunder, including any and all extensions or renewals thereof insofar as the same cover or relate to the Equipment and all rents and other sums due under any New Lease as defined in Section 2.10 hereof insofar as the same cover or relate to the Equipment; it being the intent and purpose hereof that the assignment and transfer to the Secured Party of said rents and other sums due and to become due under the Lease shall be effective and operative immediately and continue in full force and effect and the Secured Party shall have the right to collect and receive said rents and other sums for application in accordance with the provisions of Section 4 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

1.3. Limitations to Security Interest. The security interest granted by this Section 1 is subject to the lien of current taxes and assessments not in default (but only if such taxes are entitled to priority as a matter of law) or, if delinquent, the validity of which is being contested in good faith (hereinafter called "Permitted Encumbrances").

1.4. Duration of Security Interest. The Secured Party, its successors in trust and assigns shall have and hold the Collateral forever; provided always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the indebtedness hereby secured and shall observe, keep and perform all the terms and conditions, covenants and agreements herein and in the Loan Agreement and the Note contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise, to remain in full force and effect.

SECTION 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

2.1. Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Loan Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Loan Agreement were fully set out in an amendment or supplement to this Security Agreement.

2.2. Warranty of Title. The Debtor has the right, power and authority to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of persons claiming by, through or under the Debtor (excepting only the right, title and interest of the Lessee under the Lease and of persons claiming by, through or under the Lessee). Without limiting the foregoing, there is no financing statement or any similar document in which the Debtor is named as or which the Debtor has filed, as debtor, now on file in any public office covering any of the Collateral, excepting the financing statements or similar documents for which a release is given to the Secured Party concurrently with the execution and delivery hereof or such financing statements or similar documents filed or to be filed in respect of and for the security interest provided for herein.

2.3. Further Assurances. The Debtor will, at its own expense, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. The Secured Party may at any time file financing statements with respect to the Collateral without the signature of the Debtor. Without limiting the foregoing but in furtherance of the security interest herein granted in the rents and other sums due and to become due under the Lease, the Debtor covenants and agrees that it will notify the Lessee of such assignment and upon receipt of the written request of the Secured Party direct the Lessee to make all payments of such rents and other sums due and to become due under the Lease directly to the Secured Party.

2.4. After-Acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired by the Debtor (including, without limitation, any New Leases as defined in Section 2.10 hereof) shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Secured Party, become and be subject to the security interest herein granted as fully and completely

as though specifically described herein, but nothing in this Section 2.4 contained shall be deemed to modify or change the obligation of the Debtor under Section 2.3 hereof.

2.5. Recordation and Filing. The Debtor will cause this Security Agreement and all supplements hereto, the Lease and all supplements thereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at its own expense in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Secured Party hereunder, and will at its own expense furnish to the Secured Party promptly after the execution and delivery of this Security Agreement and of each supplemental security agreement, an opinion of counsel stating that in the opinion of such counsel this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby, and stating the requirements of applicable law with respect to the re-recording or refiling of this Security Agreement and of each supplemental security agreement prior to the final maturity date of the Note in order to maintain the lien and security interest granted thereunder in full force and effect as against creditors of and purchasers from the Debtor.

2.6. Modification of the Lease. The Debtor will not:

(a) declare a default or exercise the remedies of the lessor under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification, surrender or termination of, the Lease (except as otherwise expressly provided in the Lease and in Sections 3.2 and 2.10 hereof) or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the leasehold estate created by the Lease or any part thereof;

(b) receive or collect or permit the receipt or collection (except by the Secured Party hereunder) of any rental payment under the Lease prior to the date for payment thereof provided for by the Lease or assign, transfer or hypothecate (other than to the Secured Party hereunder) any rent payment then due or to accrue in the future under the Lease in respect of the Equipment; or

(c) sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

2.7. Power of Attorney in Respect of the Lease. The Debtor does hereby irrevocably constitute and appoint the Secured Party, its true and lawful attorney with full power of substitution, for it and in its name, place and stead, upon the occurrence of an event of default described in Section 5.1 hereof and so long as such default shall continue, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income and other sums which are assigned under Section 1.1 and Section 1.2 hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby.

2.8. Prepayment. The Note or any portion thereof may be prepaid, without premium, at the option of the Debtor, and the Debtor agrees to make certain required prepayments as hereinafter provided.

2.9. Notice of Default. The Debtor further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting an event of default under the Lease if the Debtor has actual knowledge of such event or condition.

2.10. Lease Renewal or Substitution. Upon expiration or termination of the Lease (unless renewed on the same terms and conditions or on terms and conditions more favorable to the Debtor by the Lessee, and in such case on the date on which such renewal term expires and is not so renewed), so long as any principal or interest on the Note shall remain outstanding, the Debtor shall upon not less than 30 days' written notice prior to such expiration or in the case of a termination on not less than 10 days' written notice following such termination to the Secured Party have the right to lease the Equipment to a new lessee for a term of not less than one year and upon the termination of such term to lease the Equipment for a further term of not less than one year to such lessee or another lessee (such leases hereinafter referred to as "New Leases" and such lessees as "New Lessees"); provided, however, that prior to entering any New Lease:

(i) The Debtor shall execute a Certificate signed by a partner on the Committee (as defined in the Partnership Agreement referred to in the Loan Agreement) and dated the date of execution of the New Lease certifying that no Event of Default under this Security Agreement nor any event which with the giving of notice or the lapse of time or both, would constitute such an Event of Default

under the Security Agreement shall have occurred and be continuing;

(ii) Each New Lease shall provide that the interest of the New Lessee is subordinate to the interest of the Secured Party under this Agreement and that any use of the Equipment outside the continental United States shall be incidental and temporary, and the Debtor shall obtain the written approval of the Secured Party as to each New Lessee and as to the form and substance of each New Lease, which approval shall not be unreasonably withheld;

(iii) The Debtor shall upon the execution and delivery of the New Lease enter into a supplement to the Security Agreement assigning all of its right, title and interest in and to such New Lease and to the rent and other sums due and to become due thereunder to the Secured Party as additional security for the Note;

(iv) Prior to the delivery of any Item of Equipment to any New Lessee under any New Lease, the Debtor will at its or such New Lessee's expense cause the New Lease and the supplement to the Security Agreement to be duly filed, recorded with and deposited with the Interstate Commerce Commission in conformity with 49 USC §11303 and in such other places within the United States or Canada as the Secured Party or the holder of the Note may reasonably request for the protection of the title to or the security interest in the Equipment and will furnish to the Secured Party or the holder of the Note proof thereof;

(v) The Debtor shall furnish to the Secured Party a certificate of such New Lessee in which said New Lessee accepts delivery of all Items of Equipment under the New Lease; and

(vi) The New Lessee and the Debtor shall have delivered to the Secured Party or the holder of the Note such certificates, opinions or any documents as the Secured Party or the holder of the Note shall reasonably request in connection with the substitution of the New Lessee.

2.11. Maintenance of Equipment. The Debtor covenants and agrees that during any period that the cars are not leased pursuant to the Lease or any New Lease which shall provide for maintenance of the Equipment as required by this Section 2.11

that it shall keep the Equipment in good order and repair, ordinary wear and tear excepted, and comply with any requirements for safety appliances and construction specified by the American Association of Railroads, the Interstate Commerce Commission or the United States Department of Transportation, and in general maintain the Equipment suitable for use in interchange according to rules promulgated by the American Association of Railroads, all at its own cost and expense.

2.12. Marking of Equipment. The Debtor will cause each Item of Equipment to be kept numbered with its road number as set forth in Appendix 1 hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

"LEASED FROM TC-78 AS OWNER
AND LESSOR AND SUBJECT TO
A SECURITY INTEREST IN FAVOR
OF A THIRD PARTY CREDITOR
RECORDED WITH THE INTERSTATE
COMMERCE COMMISSION"

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the security interest of the Secured Party in such Item of Equipment. The Debtor will replace promptly any road number or word or words of such legend which may be removed, obliterated, defaced or destroyed. The Debtor will not allow the change of any road number of any Item of Equipment except with the consent of the Secured Party and in accordance with a statement of new road numbers to be substituted therefor, which consent and statement previously shall have been delivered to the Secured Party by the Debtor and filed, recorded or deposited in all public offices where this Security Agreement shall have been filed, recorded or deposited.

2.13. Use of Equipment. Use of the Equipment shall be limited to the Lessee under the terms and conditions of the Lease, or to such New Lessee as may be approved by the Secured Party pursuant to Section 2.11 hereof.

SECTION 3. POSSESSION, USE AND RELEASE OF PROPERTY.

3.1. Possession of Collateral. While the Debtor is not in default hereunder it shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto, provided always that the possession, enjoyment, control and use of the Equipment shall

at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease shall not constitute a violation of this Section 3.1.

3.2. Release of Property. So long as no default referred to in Paragraph 13 of the Lease has occurred and is continuing to the knowledge of the Secured Party, the Secured Party shall execute a release in respect of any Item of Equipment designated by the Lessee for settlement pursuant to the Section entitled "Casualty Occurrence" in Rider No. 1 to the Lease dated as of May 23, 1978 upon receipt from the Lessee or the Debtor of written notice designating the Item of Equipment in respect of which the Lease will terminate and the receipt from the Lessee of the amount required to be paid by the Lessee in the event of a Casualty Occurrence for such Equipment in compliance with such Section of the Lease.

3.3. Release of Equipment - Consent of Noteholders. In addition to the sale, exchange or resale pursuant to the foregoing Section 3.2, the Debtor may sell or otherwise dispose of any Equipment then subject to the lien of this Security Agreement, and the Secured Party shall release the same from the lien hereof to the extent and on the terms and upon compliance with the conditions provided for in any written consent given thereto at any time or from time to time by the holder or holders of the indebtedness hereby secured.

3.4. Protection of Purchaser. No Purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the mortgaged property be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

SECTION 4. APPLICATION OF ASSIGNED RENTALS AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURED PARTY.

4.1. Application of Rents. As more fully set forth in Section 1.2 hereof, the Debtor has hereby granted to the Secured Party a security interest in rents, issues, profits, income and other sums due and to become due under the Lease in respect of the Equipment as security for the Note. So long as no event of default as defined in Section 5 hereof has occurred and is continuing:

(a) The amounts from time to time paid by the Lessee as Monthly Rental (as defined in the Lease) to the Debtor may be retained by the Debtor until such time as the Secured Party shall give written notice to the Debtor and the Lessee that such Monthly Rental should be paid to it, in which case application of such Monthly Rentals will be made as provided in paragraph (b) of this Section 4.1.

(b) The amounts from time to time received by the Secured Party which constitute payment of the installments of Monthly Rental under the Lease shall be applied first, to the payment of the installments of principal and interest (and in each case first to interest and then to principal) on the Note which have matured or will mature on or before the due date of the installments of Monthly Rental which are received by the Secured Party (such application to be deemed to have been made as of the date such amounts are received by the Secured Party), and then the balance, if any, of such amounts shall be paid to or upon the order of the Debtor.

(c) The amount from time to time paid by the Lessee to the Debtor as settlement for a "Casualty Occurrence" as defined in Rider No. 1 to the Lease, such Rider dated as of May 23, 1978 (the "Casualty Value") may be retained by the Debtor until such time as the Secured Party shall give written notice to the Debtor and the Lessee that such Casualty Values should be paid to it, in which case application of such Casualty Values will be made pursuant to paragraph (d) of this Section 4.1; provided that, upon receipt of the Casualty Value from the Lessee, the Debtor will pay on the next date that a payment is due on the Note to the Secured Party an amount equal to the Loan Value and the interest due on the portion of the Note to be prepaid by the Loan Value as hereinafter defined in respect of the Item or Items of Equipment having suffered a Casualty Occurrence, such Loan Value payment to be applied as provided in paragraph (d) of this Section 4.1.

(d) The amounts from time to time received by the Secured Party which constitute settlement by the Lessee of the Casualty Value for any Item of Equipment pursuant to the Lease shall be paid and applied on the Note, all in such manner and in such amounts as follows:

(i) First, the payment of an amount equal to the accrued and unpaid interest on that portion of the Note to be prepaid pursuant to the following subparagraph;

(ii) Second, an amount equal to Loan Value in respect of the Casualty Occurrence for which settlement is then being made shall be applied to the prepayment of the Note so that each of the remaining installments of the Note shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Note immediately prior to the prepayment; and

(iii) Third, the balance, if any, of such amounts held by the Secured Party after making the applications provided for by the preceding subparagraphs (i) and (ii) shall be released to or upon the orders of the Debtor and the date of payment of the amount provided in the preceding clauses (i) and (ii).

If the amount paid to the Debtor as a result of a Casualty Occurrence is less than the amount of the Loan Value and the interest due on the portion of the Note to be prepaid by the Loan Value as hereinafter defined in respect of any Casualty Occurrence for which settlement is made pursuant to paragraph (d) above, then the Debtor shall upon the next date that a payment is due on the Note pay to the Secured Party an amount which when added to the amount previously received from the Lessee will equal the Loan Value and the interest due on the portion of the Note to be prepaid by the Loan Value payable pursuant to such Casualty Occurrence.

(e) The amounts, if any, received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained by the Lessee or the Debtor in respect of the Equipment, shall be held by the Secured Party as a part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(i) So long as no Event of Default has occurred and is continuing to the knowledge of the Secured Party, the proceeds of such insurance shall, if the Item of Equipment is to be repaired, be released to the Debtor to reimburse it for expenditures made for such repair upon receipt by the Secured Party of a certificate of an authorized partner of the Debtor to the effect that any damage to such Item in respect of which such proceeds were paid has been fully repaired; and

(ii) If the insurance proceeds shall not have been released to the Debtor pursuant to the preceding paragraph (i) within 180 days from the receipt thereof by the Secured Party, or if within such period the Debtor shall have notified the Secured Party in writing that the Lease is to be terminated in respect of such Item in accordance with the provisions of the Lease, then so long as no Event of Default hereunder has occurred and is continuing to the knowledge of the Secured Party, the insurance proceeds shall be applied by the Secured Party as follows:

(A) First, to the prepayment of the Note, all in the manner and to the extent provided for by Section 4.1(d) hereof; and

(B) Second, the balance, if any, of such insurance proceeds held by the Secured Party after making the applications provided for by the preceding subparagraph (A) shall be released to or upon the order of the Debtor on the date of such prepayment of the Notes.

4.2. Loan Value for Equipment. The term "Loan Value" in respect of any Casualty Occurrence shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the number of Items of Equipment having suffered a Casualty Occurrence and the denominator of which is the total number of Items of Equipment then subject to this Security Agreement (including the Item or Items of Equipment for which settlement is then being made), times (B) the unpaid principal amount of the Note immediately prior to the prepayment provided for in Section 4.1(c) or (d), as the case may be, after giving effect to all payments of installments of principal made or to be made on the date of prepayment provided for in Section 4.1(c) or (d), as the case may be.

4.3. Default. If an event of default referred to in Section 5 hereof has occurred and is continuing, all amounts received by the Secured Party pursuant to Section 1.2 hereof shall be applied in the manner provided for in Section 5 in respect of proceeds and avails of the Collateral.

SECTION 5. DEFAULTS AND OTHER PROVISIONS.

5.1. Events of Default. The term "Event of Default" for all purposes of this Security Agreement shall mean one or more of the following:

(a) Default in payment of an installment of the principal of, or interest on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise, and any such default shall continue unremedied for more than ten days; or

(b) Default by the Debtor or any of its Partners (as defined in the Loan Agreement) in the due observance or performance by the Debtor of any covenant or agreement (other than payments described in clause (a) above) either under this Security Agreement or the Note Agreement, and such default shall continue unremedied for thirty calendar days after notice thereof to the Debtor from the Secured Party or the holder of the Note; or

(c) Any representation or warranty made herein or in the Loan Agreement or in any report, certificate, financial or other statement furnished in connection with this Security Agreement or the Loan Agreement, or the transactions contemplated therein shall prove to have been false or misleading in any material respect when made or furnished; or

(d) Any claim, lien or charge (including, without limitation, the rights of a New Lessee under any New Lease) shall be asserted against or levied or imposed upon the Equipment which is prior to or on a parity with the security interest granted hereunder, and such claim, lien or charge shall not be discharged or removed within thirty calendar days after written notice from the Secured Party or the holder of the Note to the Debtor demanding the discharge or removal thereof; or

(e) Default by any guarantor under the Guaranty (as defined in the Loan Agreement), in the due observance or performance by such guarantor of any covenants or agreement made in the Guaranty, and such default shall continue unremedied for ten calendar days after notice thereof to such guarantor from the Secured Party or holder of the Note; or

(f) Any action is taken by the Debtor, any Partner of the Debtor or any other person which will, in the reasonable opinion of the Secured Party, lead to the dissolution or liquidation of the Debtor; or

(g) The Debtor fails to promptly lift any judgment, judicial lien, statutory lien, other lien, levy, execution, garnishment, attachment or other act, proceeding or process, whether legal or equitable, to enforce a judgment, claim, lien, security interest or mortgage of such consequence that it will impair the ability of the Debtor to carry on its obligations under this Agreement, the Loan Agreement or the Note; or

(h) The Debtor or any of its Partners are not, in the reasonable opinion of the Secured Party, generally paying their respective debts as such debts become due; or

(i) The Debtor or any of its Partners files a voluntary petition in bankruptcy, or the Debtor or any of its Partners shall admit in writing the inability to pay their respective debts as they mature, or the Debtor or any of its Partners consents to the appointment of a trustee or receiver for the Debtor or such Partner or for the major part of the Debtor's or such Partner's property, or the Debtor or any of its Partners makes any assignment for the benefit of the Debtor's or such Partner's

creditors, or the Debtor or any of its Partners enters into an agreement of composition with the Debtor's or such Partner's creditors; or

(j) A trustee or receiver is appointed for the Debtor or any of its Partners or for the major part of the Debtor's or such Partner's property and is not discharged within 30 days after such appointment; or

(k) The adjudication of the Debtor or any of its Partners as bankrupt, or bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against the Debtor or any of its Partners and, if instituted against the Debtor or any of its Partners, are consented to or are not dismissed within 30 days after such institution.

5.2. Secured Party's Rights. The Debtor agrees that when any "event of default" as defined in Section 5.1 has occurred and is continuing, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of Illinois (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, the Secured Party may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies; but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute:

(a) The Secured Party may, by notice in writing to the Debtor declare the entire unpaid balance of the Note to be immediately due and payable, and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable;

(b) The Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Debtor, with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold;

(c) The Secured Party may, if at the time such action may be lawful and always subject to compliance

with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of said Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder of the Note, or of any interest therein, may bid and become the purchaser at any such sale;

(d) The Secured Party may proceed to protect and enforce this Security Agreement and said Note by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted, or for foreclosure hereunder, or for the appointment of a receiver or receivers for the mortgaged property or any part thereof, or for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law; and

(e) The Secured Party may proceed to exercise all rights, privileges and remedies of the Lessor under the Lease, and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

5.3. Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Note, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also, in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Note and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Note including principal and interest thereof out of the net proceeds of such sale after allowing for the

proportion of the total purchase price required to be paid in actual cash.

5.4. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold, shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns.

5.5. Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

5.6. Application of Sale Proceeds. The purchase money proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Party, or the holder of the Note and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) Second, to the payment to the holder of the Note of the amount then owing or unpaid on the Note for principal and interest; and in case such proceeds

shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Note, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, with application on the Note to be made, first, to the unpaid interest thereon, second, to unpaid premium, if any, thereon, and third, to unpaid principal thereof; such application to be made upon presentation of the Note, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid; and

(c) Third, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whosoever may be lawfully entitled to receive the same.

5.7. Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Debtor and the Secured Party and the holder of the Note shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

5.8. Cumulative Remedies. No delay or omission of the Secured Party or of the holder of the Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party, or the holder of the Note, of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of the Note be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

SECTION 6. MISCELLANEOUS.

6.1. Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, premises and agreements in this Security Agreement contained by or on behalf

of the Debtor or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

6.2. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

6.3. Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, registered, postage prepaid, addressed as follows:

If to the Debtor: TC-78, an Illinois Partnership
P. O. Box 218
Chicago Heights, Illinois 60411
Attention: Stanley D. Christianson

with a copy to:

Carroll Hartigan & Hillery, Ltd.
One North LaSalle Street
Chicago, Illinois 60602
Attention: John M. Hartigan

If to the Secured
Party: American National Bank and Trust
Company of Chicago
33 North LaSalle Street
Chicago, Illinois 60690

or to the Debtor or the Secured Party at such other address as the Debtor or the Secured Party may designate by notice duly given in accordance with this Section to the other parties.

6.4. Release. The Secured Party shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness hereby secured has been fully paid or discharged.

6.5. Governing Law. This Security Agreement and the Note shall be construed in accordance with and governed by the laws of the State of Illinois.

6.6. Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

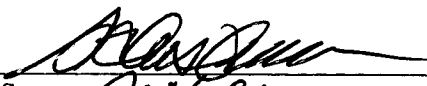
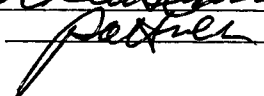
6.7. Headings. Any headings or captions preceding the text of the several Sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be executed, all as of the day and year first above written.

[SEAL]

TC-78, AN ILLINOIS PARTNERSHIP

ATTEST:

By 
Its 

Secretary

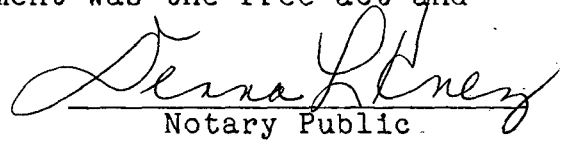
DEBTOR

STATE OF ILLINOIS

COUNTY OF COOK

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) SS
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On this 20th day of November, 1979, before me personally appeared S. D. CHRISTIANSON, to me personally known, who being by me duly sworn, says that he is a partner of TC-78, AN ILLINOIS PARTNERSHIP, that said instrument was signed ~~and sealed~~ on behalf of said partnership, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said partnership.


Notary Public

(SEAL)

My commission expires: January 11, 1981

DESCRIPTION OF EQUIPMENT

25 100-Ton 61' 1-1/2" Bulkhead Flat Cars manufactured by Thrall Car Manufacturing Company and bearing numbers ITC 1400 through ITC 1424, both inclusive